Procurement in Action

Session 1: Annual Procurement Planning

Presented by: Procurement Policy Development Department

Date: September 14, 2022

LEARNING SESSION AGENDA

1. The Annual Procurement Plan
2. Annual Procurement Planning Process
3. Procurement Tools
4. Case Study and Review
5. Question & Answer
6. Quiz
7. Key Points

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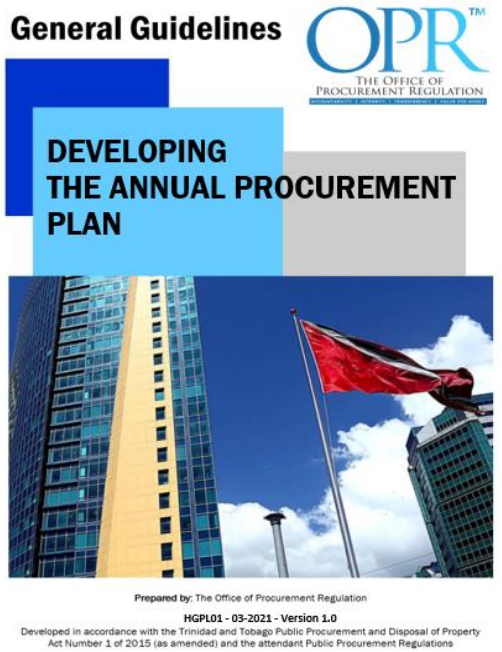
Annual Procurement Planning Process

The Annual Procurement Plan (APP)

The Annual Procurement Plan is a document that the procuring entity must prepare at the start of the financial year. This Plan contains all necessary information on the entirety of the public body's procurement activities, for the goods; works and services, that it plans to undertake within the financial year.



What Procurement Items should be included in the APP?

Annual Estimate Recurrent; PSIP, IDF or Capital Expenditure.

Does **NOT** Include Salaries, Wages (Personnel Expenditure).

Does **NOT** include cost of Utilities (T&TEC and WASA).

Does **NOT** Include Debt Financing.

Purpose of the Annual Procurement Plan (APP)

- ✓General strategy for improved procurement capacity;
- ✓Strategy to address procurement management in support of programme/ business effectiveness; and
- ✓Strategy for managing the risks and opportunities in the procurement portfolio

Purpose of the Annual Procurement Plan (APP)

- ✓ Procurement Strategy
- ✓ Procurement Method
- ✓ Contract Management Strategy
- ✓ Identifying Risks
- ✓ Optimising Resources

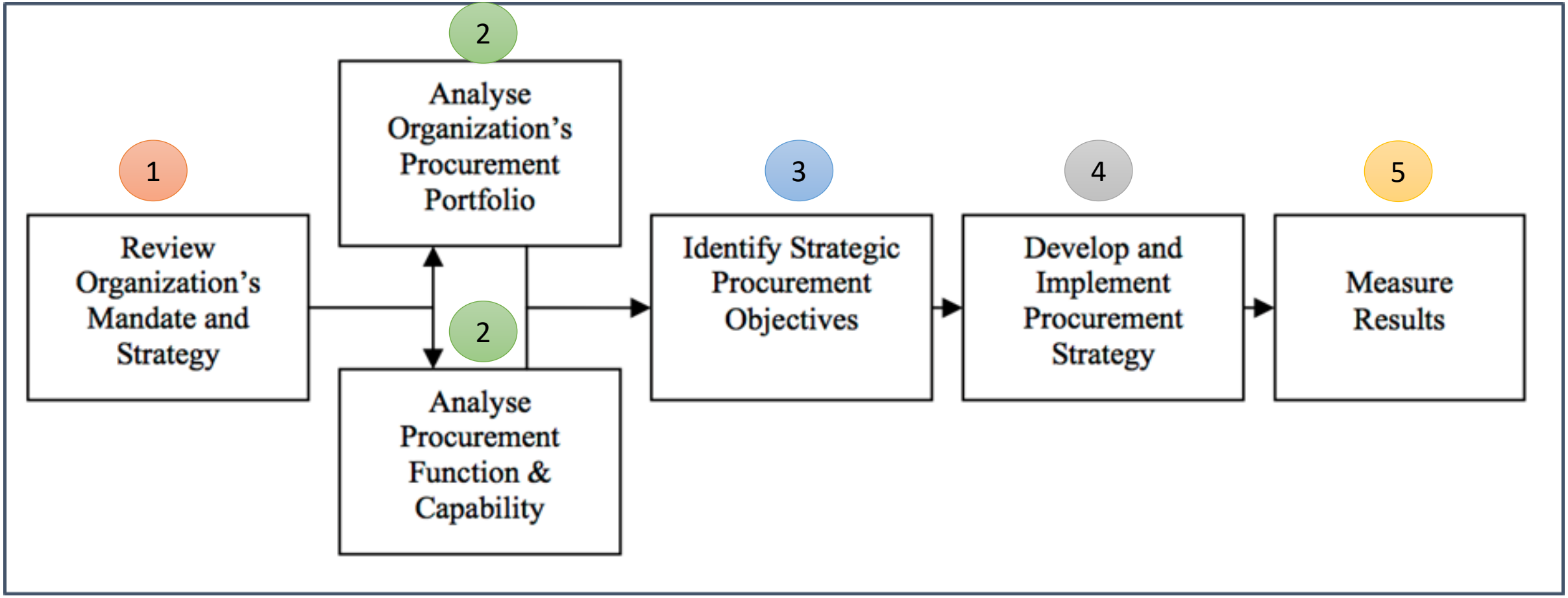
Procurement Planning

- Pre-requisites for the successful implementation of projects
- Limits the scope on non-compliance with agreed procurement procedures
- Enhances transparency and accountability
- Provides a good basis for monitoring
- Facilitates efficient and effective financial management

Promote the principles of:

a) Accountability
b) Integrity
c) Transparency
d) Value for Money
e) Efficiency
f) Fairness
g) Equity
h) Public Confidence
i) Local Industry Development
j) Sustainable Procurement
k) Sustainable Development

The Annual Procurement Planning Process



2. Procurement Planning Tools

Analyse Procurement Portfolio (1)

Analytical Tools

1. **Pareto Analysis** – High-level look at the spend values (highest to lowest) – 80/20 rule

2. **Porter's Five Forces** – Examination of market conditions
   - Competitiveness of the market
   - Buyer power
   - Supplier power
   - Substitutes
   - Barriers to entry

3. **Kraljic (1983) Model** – risk of supply vs relative price/contract value - (Routine, Leverage, Bottleneck, Strategic)

Analyse Procurement Portfolio (2)

Analytical Tools

4. **Supplier Preferencing Model** – How does the supplier view doing business with your organisation – Comparison of the value of Contract and the Attractiveness of the Account

5. **Supply Positioning Model** – To determine contract management strategy – framework agreement, lump-sum/fixed price; unit rate; measured works, KPI's or performance standards

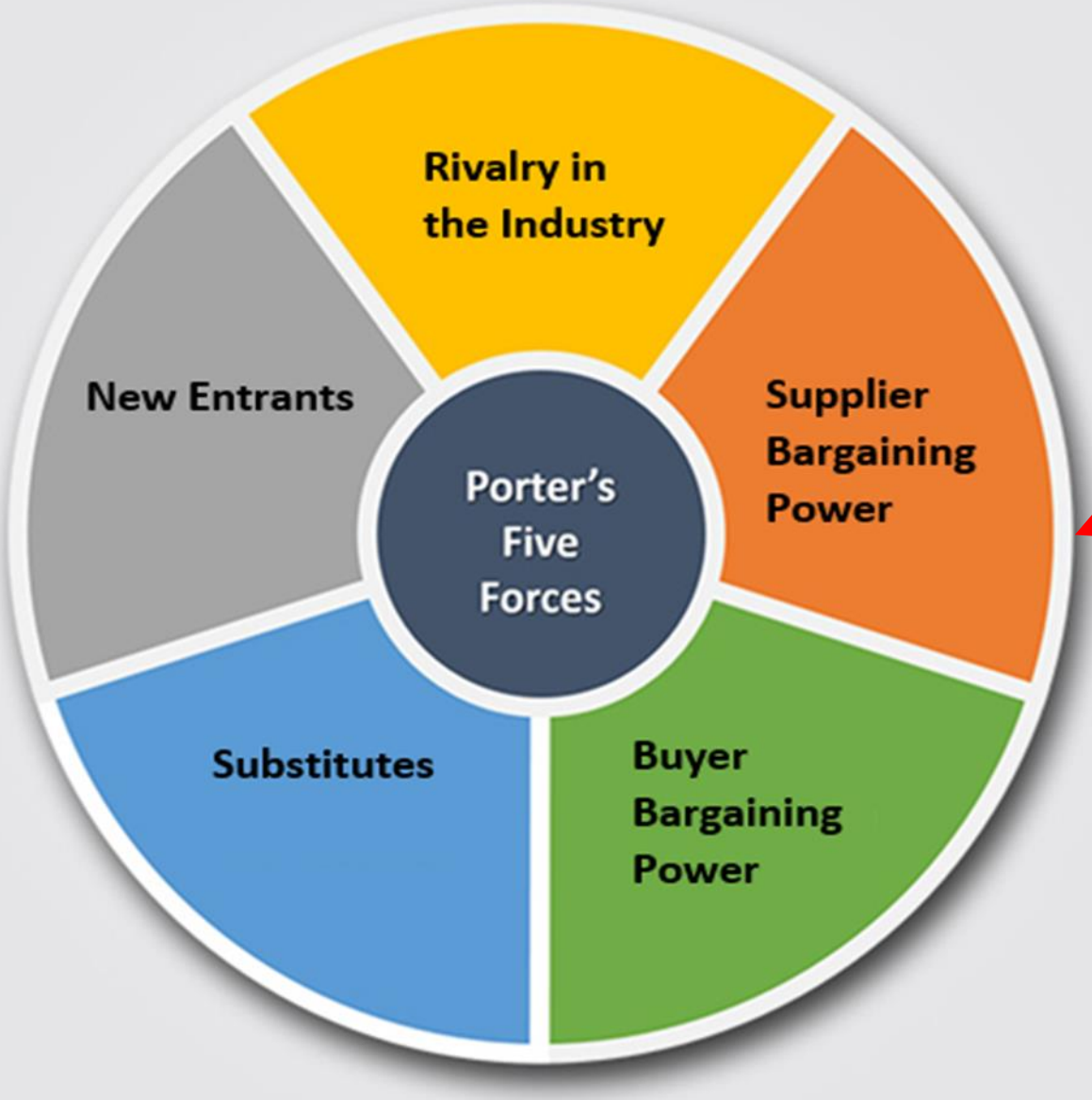
6. **SWOT** – Internal (Strengths, Weaknesses); External (Opportunities, Threats)

7. **PESTLE** – (Political, Economical, Social, Technological, Legal, Environmental)

Porter's Five Competitive Forces

How many suppliers or contractors in the market?

Porter's Five Competitive Forces



How much power does the supplier or contractor have?

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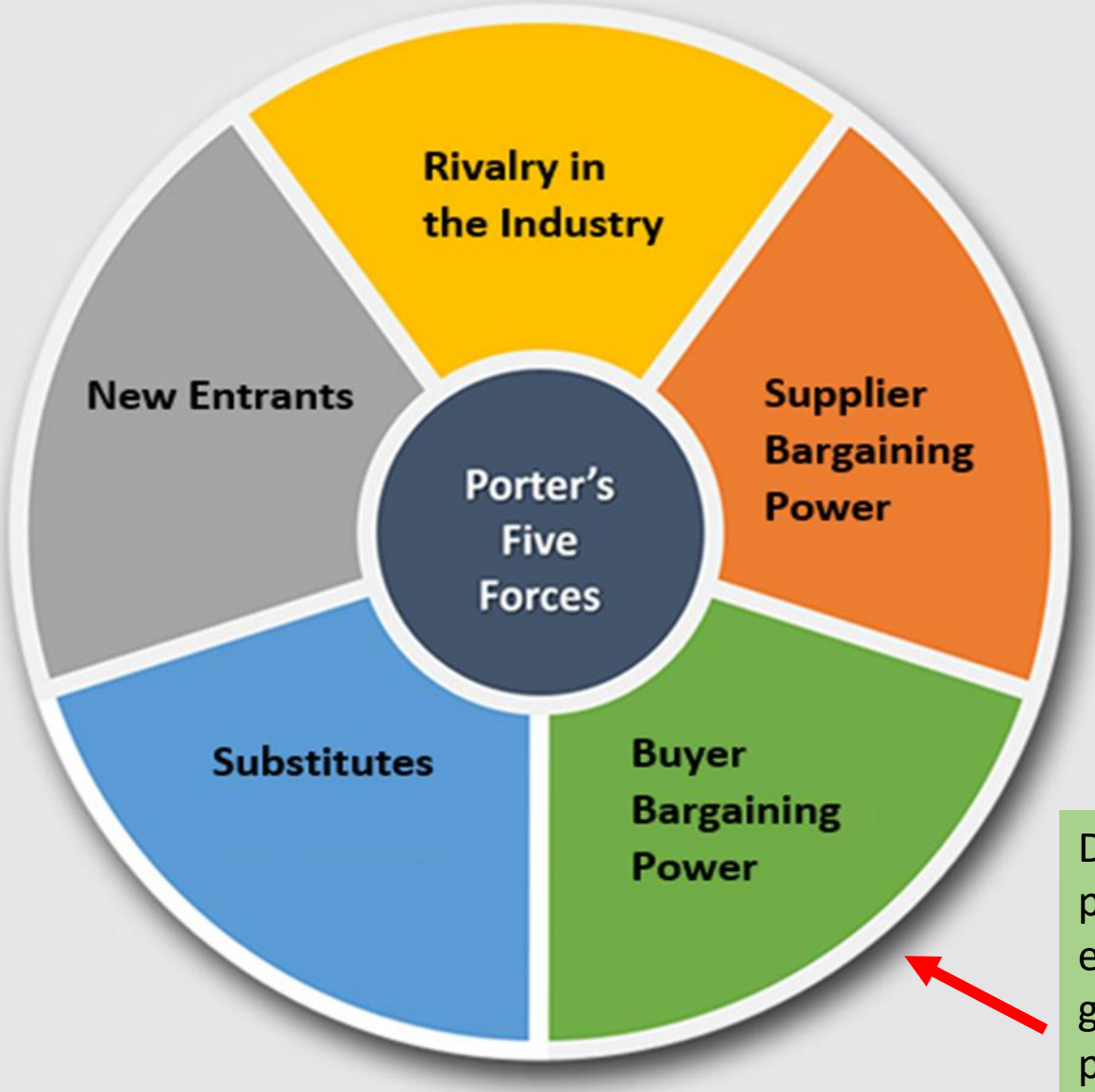
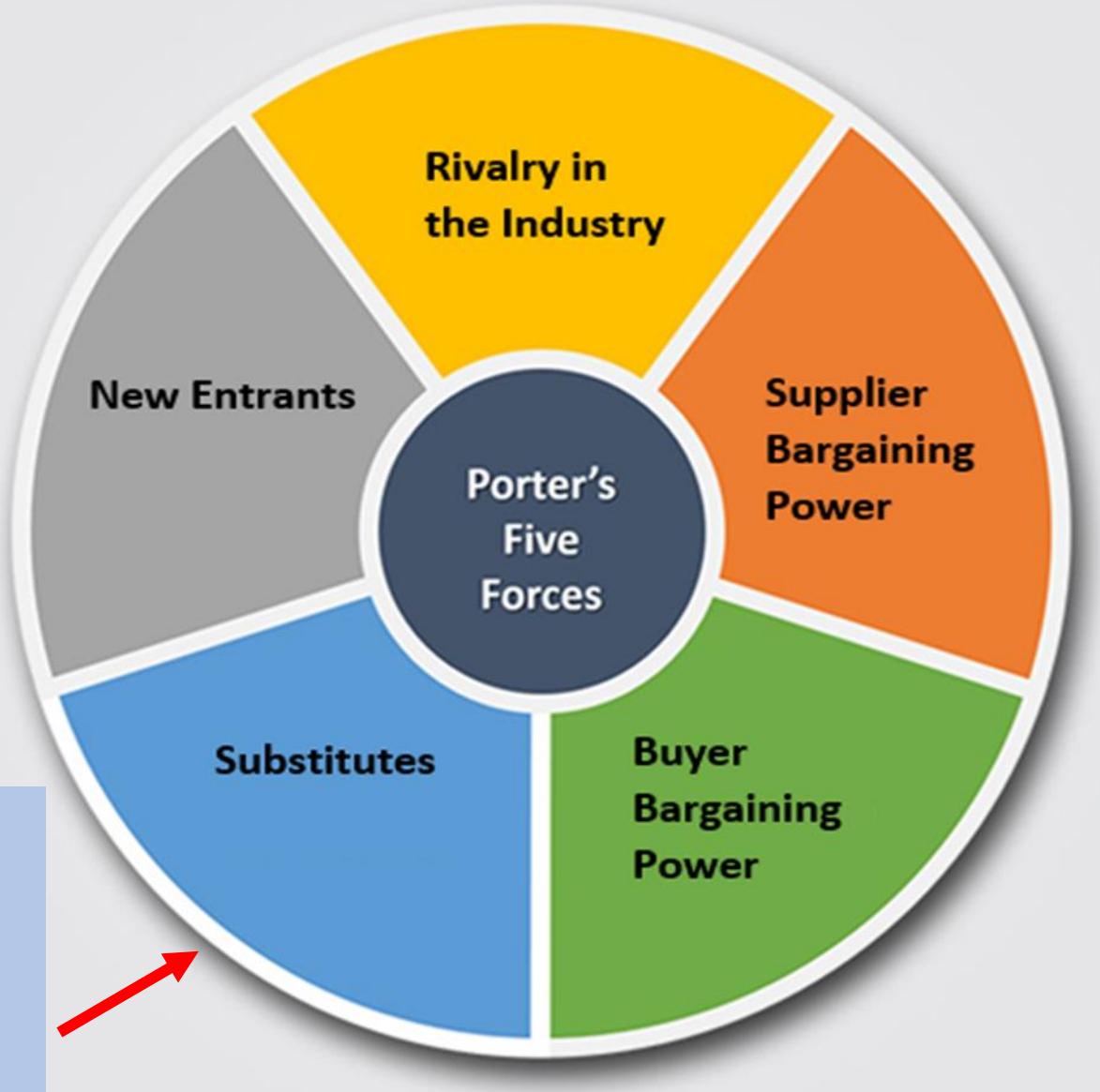
Porter's Five Competitive Forces



Does the procuring entity have greater power than the supplier?

Porter's Five Competitive Forces



Are there substitutes which can give better value for money?

Porter's Five Competitive Forces

How easy can new suppliers enter the market?

Pareto Analysis

The Pareto principle known as the 80/20 rule, is based on the premise that 20% of efforts can lead to 80% of results.

Portfolio Listing – Company X

No.	Category	Description	Budgeted Cost FY 2022/2023
1	Computer Equipment and Accessories	Laptops, Multi-Function Printers	$750,000.00
2	Contracted Specialised IT Services	Hosting platform, Software, Database	$500,000.00
3	Telephone	Telephone, internet, cable	$150,000.00
4	Office Stationery	Folders, pens for office printers, cables, mouse, keyboards,	$90,000.00
5	Toner	Toner for specific printer	$10,000.00
		TOTAL	**$1,500,000.00**

Pareto Analysis – Company X

No.	Category	Description	Budgeted Cost FY 2022/2023	Running Total	% of Total Expenditure
Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
1	Computer Equipment and Accessories	Laptops, Multi-Function Printers	$750,000.00	$750,000.00	50%
2	Contracted Specialised IT Services	Hosting platform, Software, Database	$500,000.00	$1,250,000.00	83.33%
3	Telephone	Telephone, internet, cable	$150,000.00	$1,400,000.00	93.33%
4	Office Stationery	Folders, pens for office printers, cables, mouse, keyboards	$90,000.00	$1,490,000.00	99.33%
5	Toner	Toner for specific printer	$10,000.00	$1,500,000.00	100%
		TOTAL	**$1,500,000.00**		

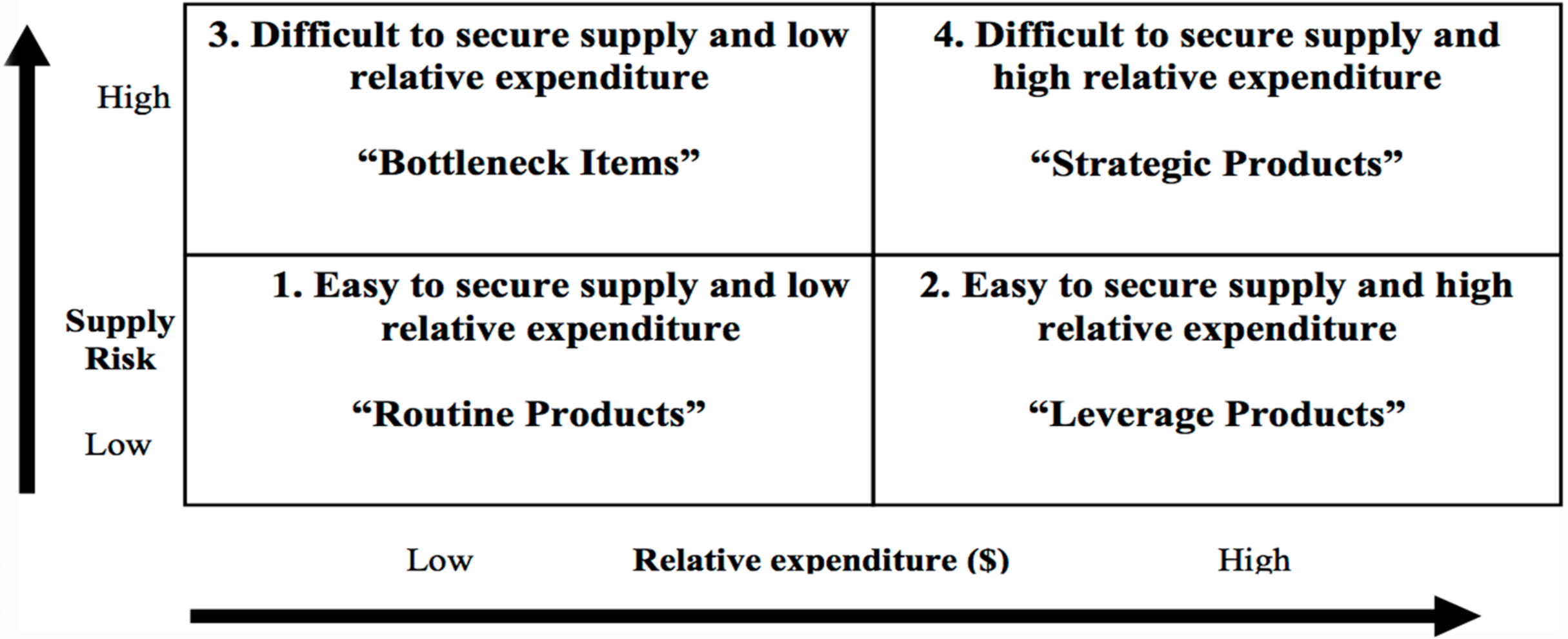
Pareto Analysis – Company X

No.	Category	Description	Budgeted Cost FY 2022/2023	Running Total	% of Total Expenditure
1	Computer Equipment and Accessories	Laptops, Multi-Function Printers	$750,000.00	$750,000.00	50%
2	Contracted Specialised IT Services	Hosting platform, Software, Database	$500,000.00	$1,250,000.00	83.33%
3	Telephone	Telephone	$150,000.00	$1,400,000.00	93.33%
4	Office Stationery	Folders, pens for office printers, cables, m	$90,000.00	$1,490,000.00	99.33%
5	Toner	Toner for	$10,000.00	$1,500,000.00	100%
		TOTAL	**$1,500,000.00**		

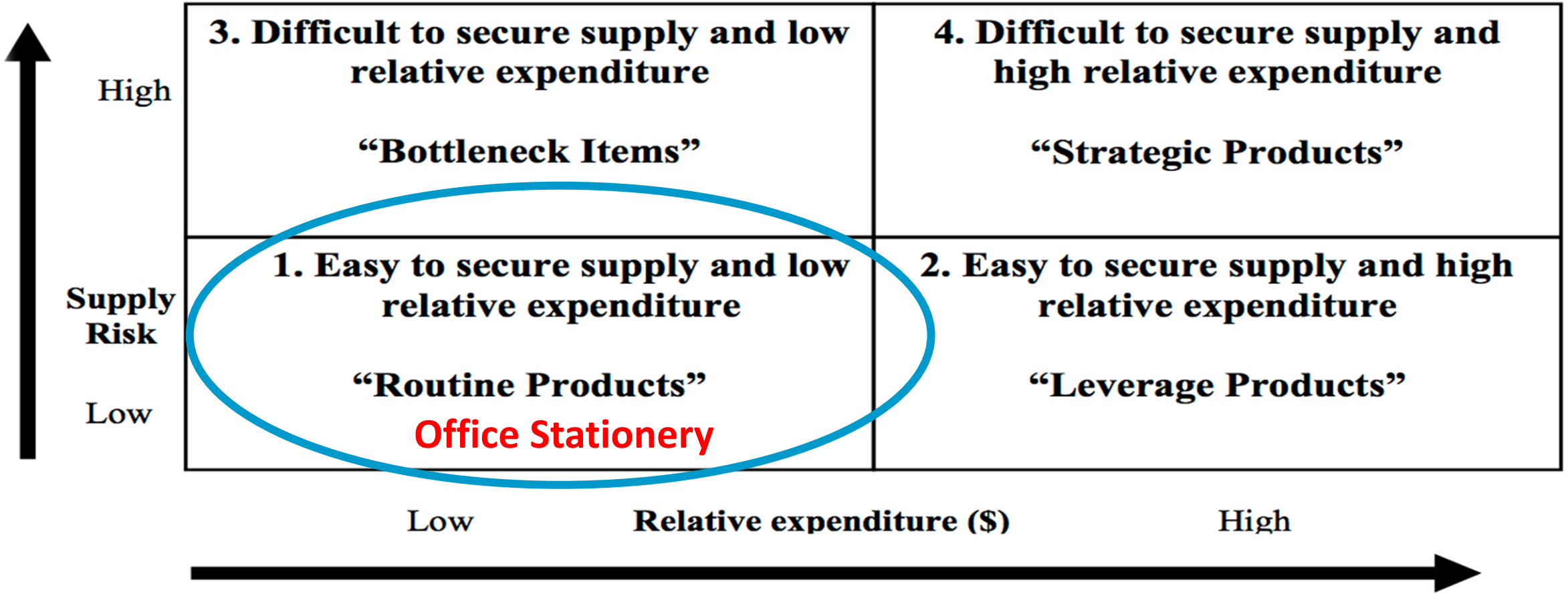
$$\frac{\$\ 1,250,000.00}{\$\ 1,500,000.00} \times 100$$

$$\frac{\$\ 1,490,000.00}{\$\ 1,500,000.00} \times 100$$

Kraljic Matrix



Kraljic Matrix



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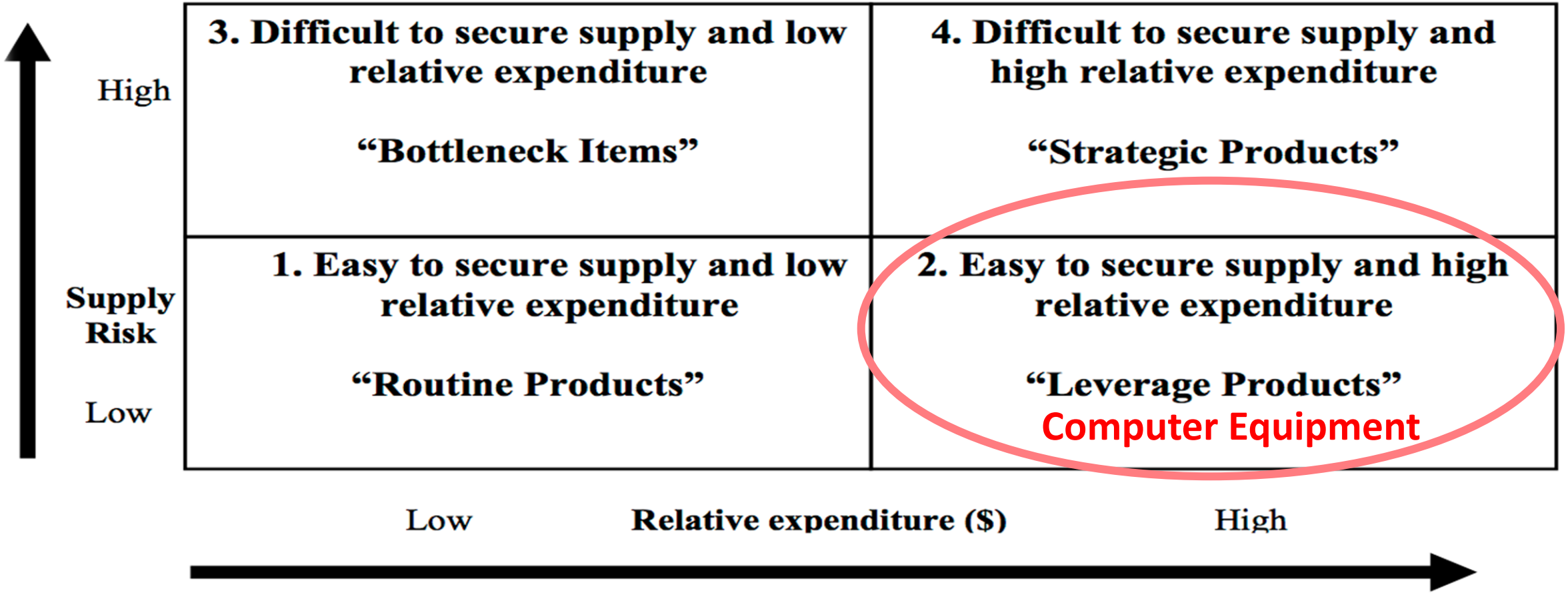

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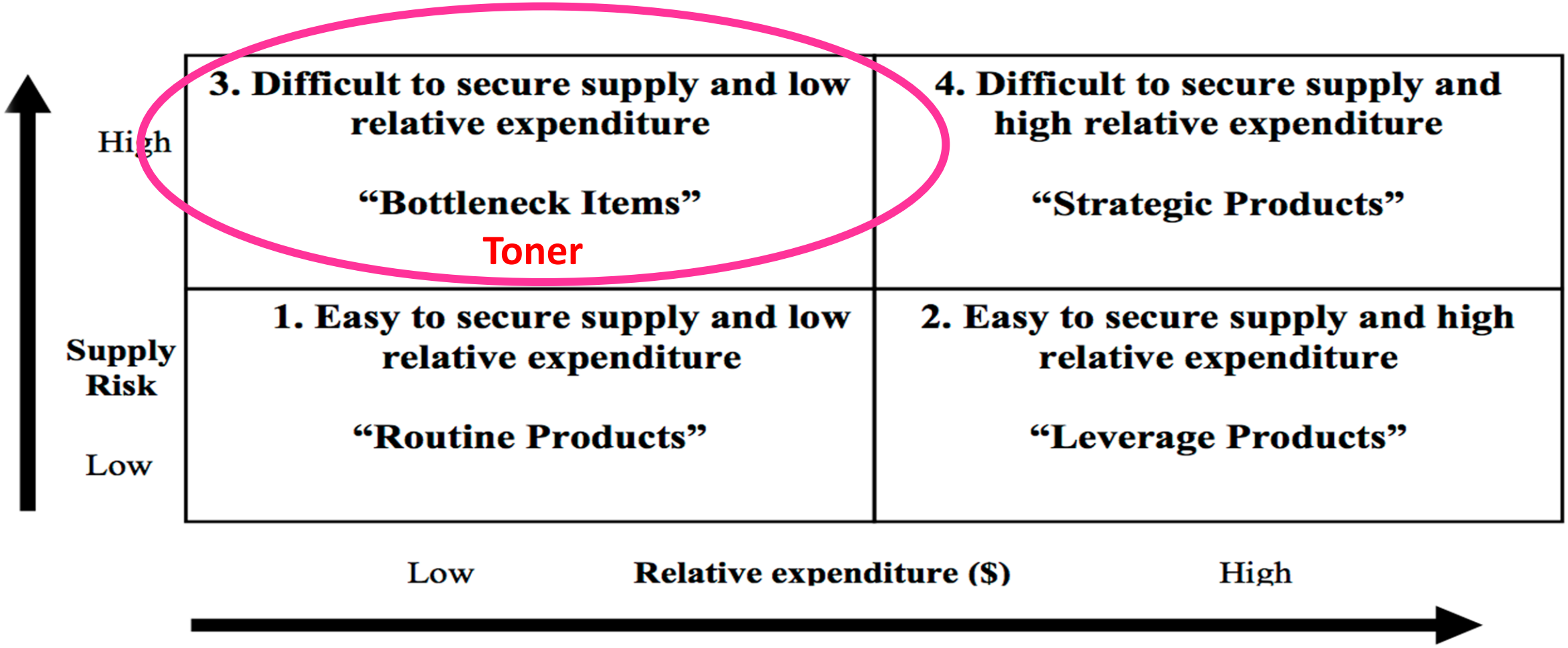

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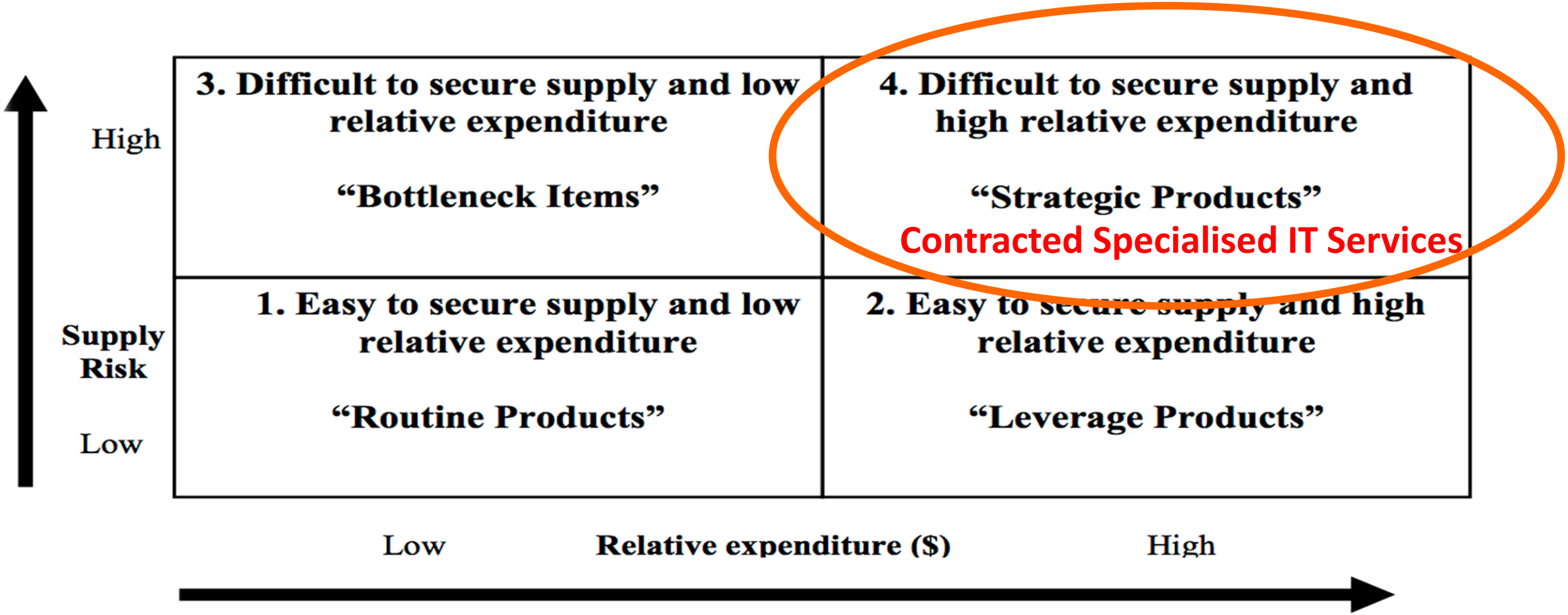
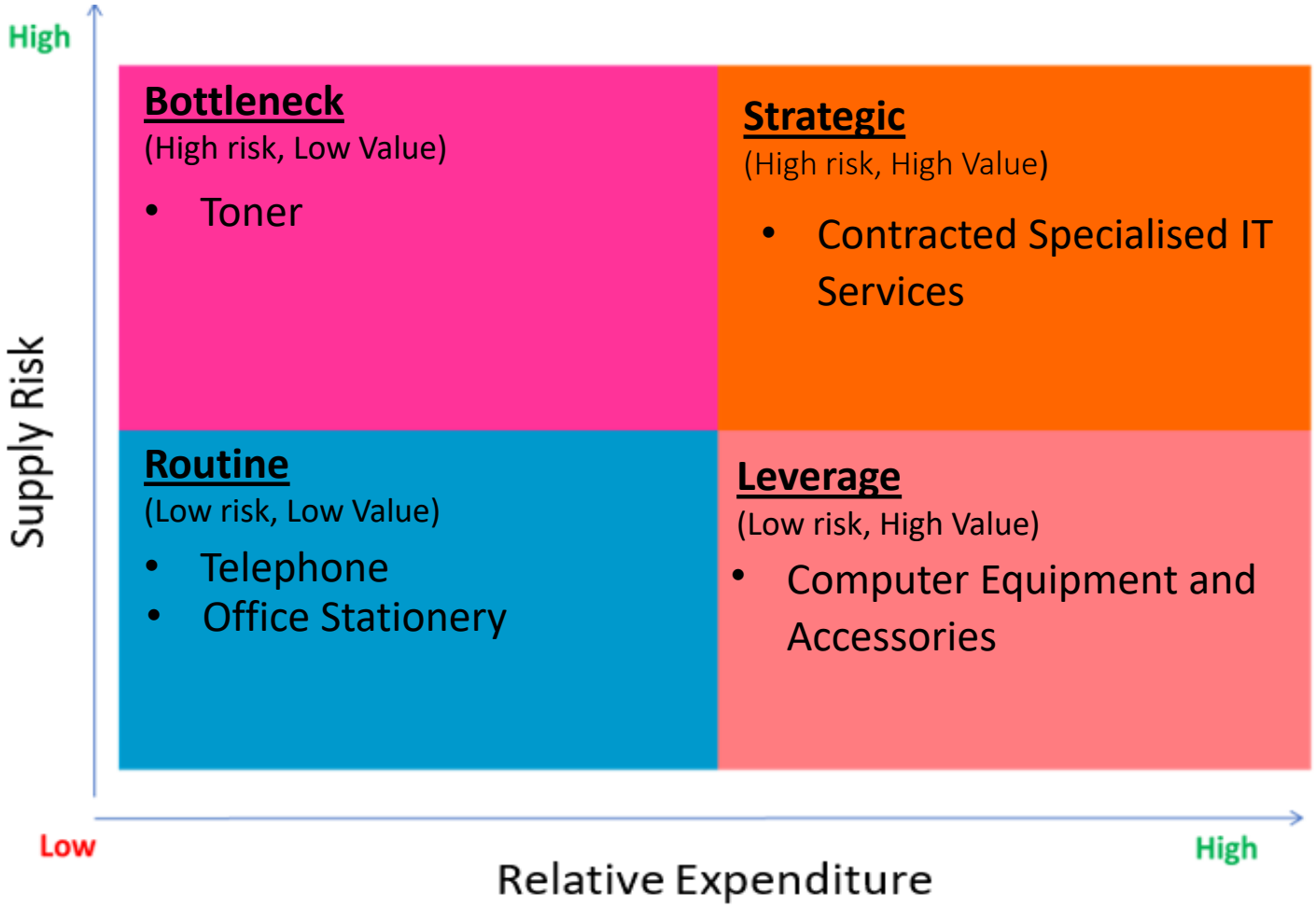


Kraljic Matrix – Company X

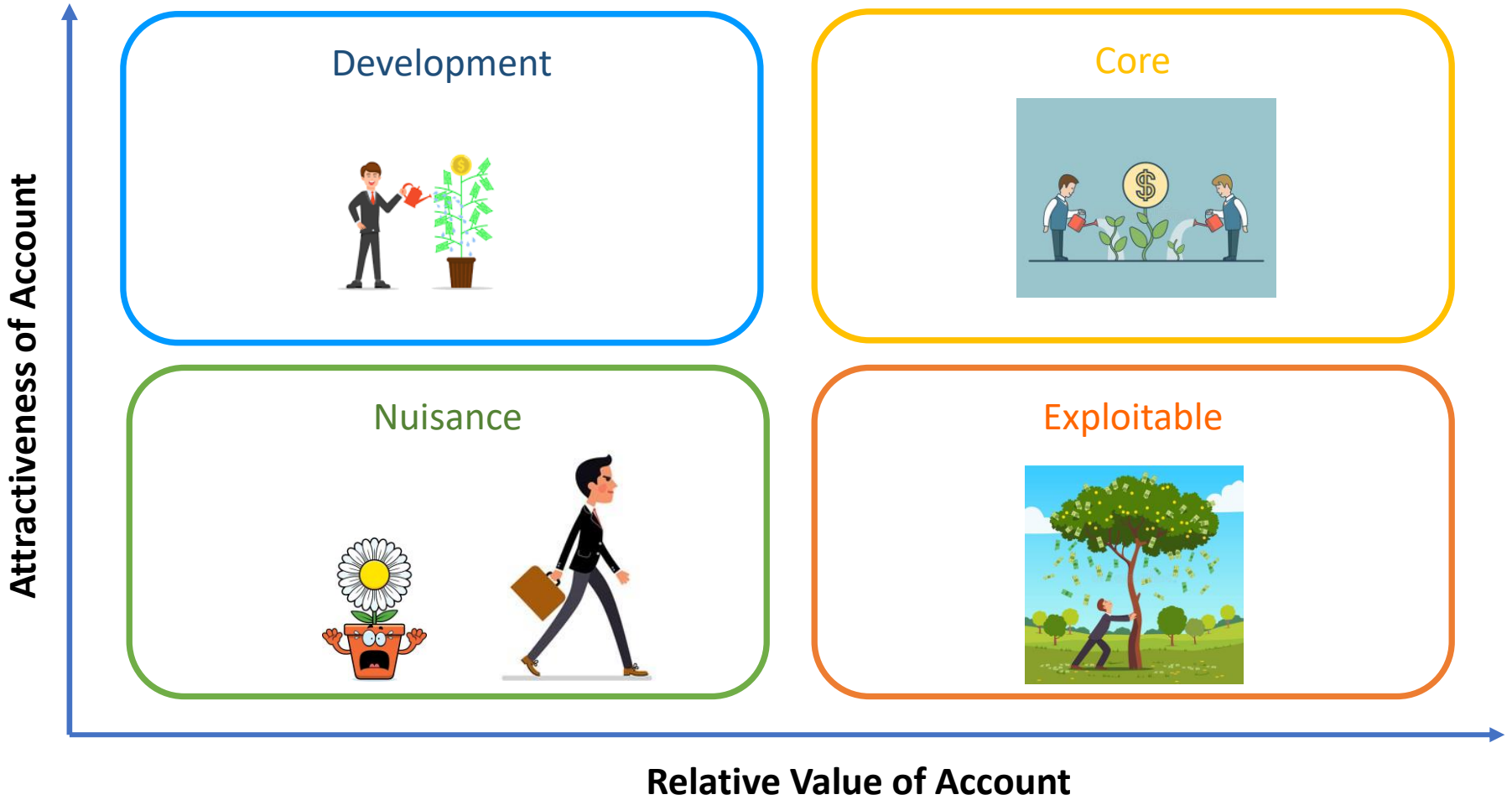


1. Different procuring entities may place the same item in different quadrants.

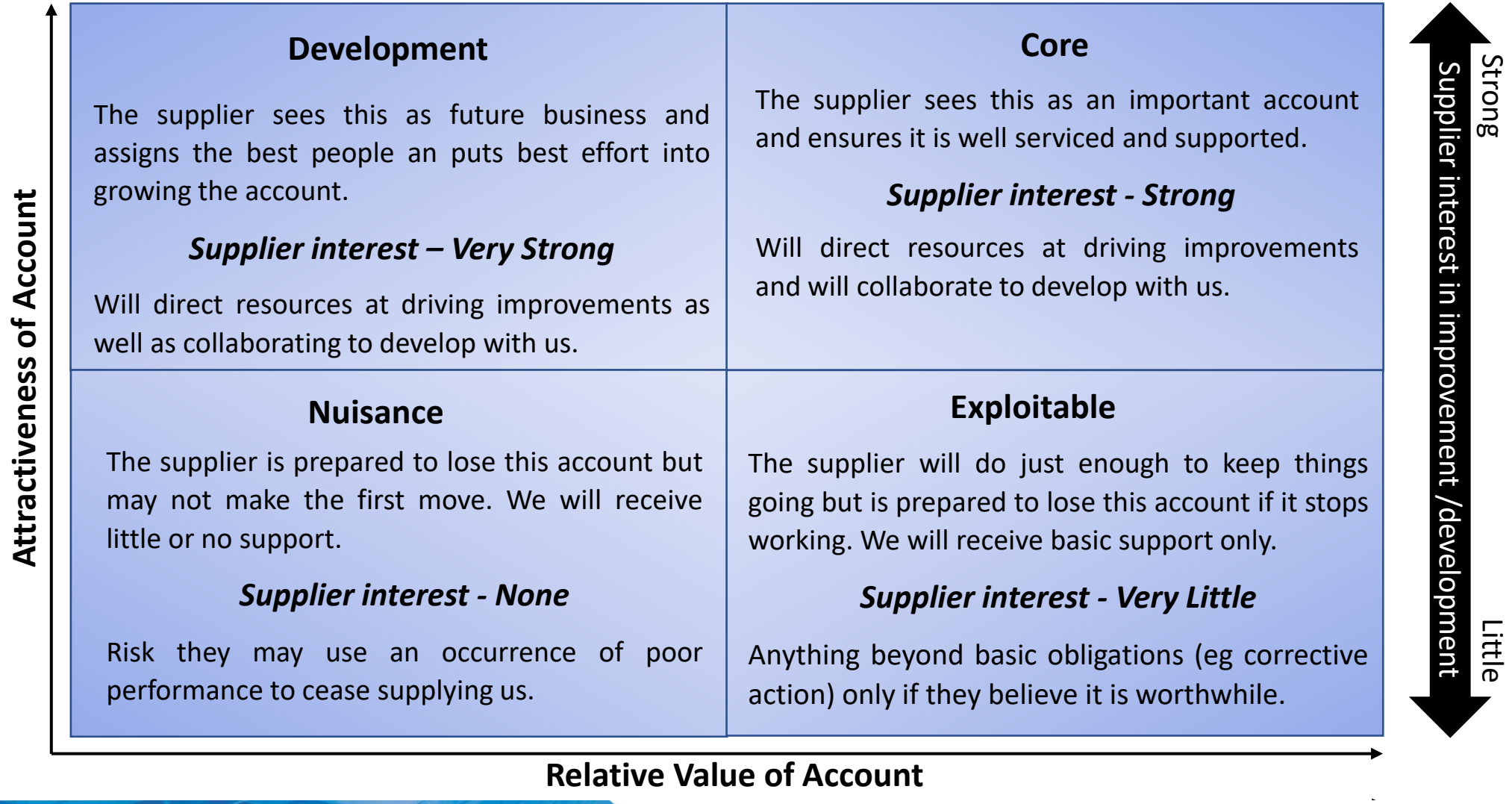
2. Items may also fall within different quadrants from year to year.

3. Do NOT try to force items within a quadrant (e.g. Bottleneck or Strategic) if it does not belong there.

Supplier Preferencing Model



Supplier Preferencing Model



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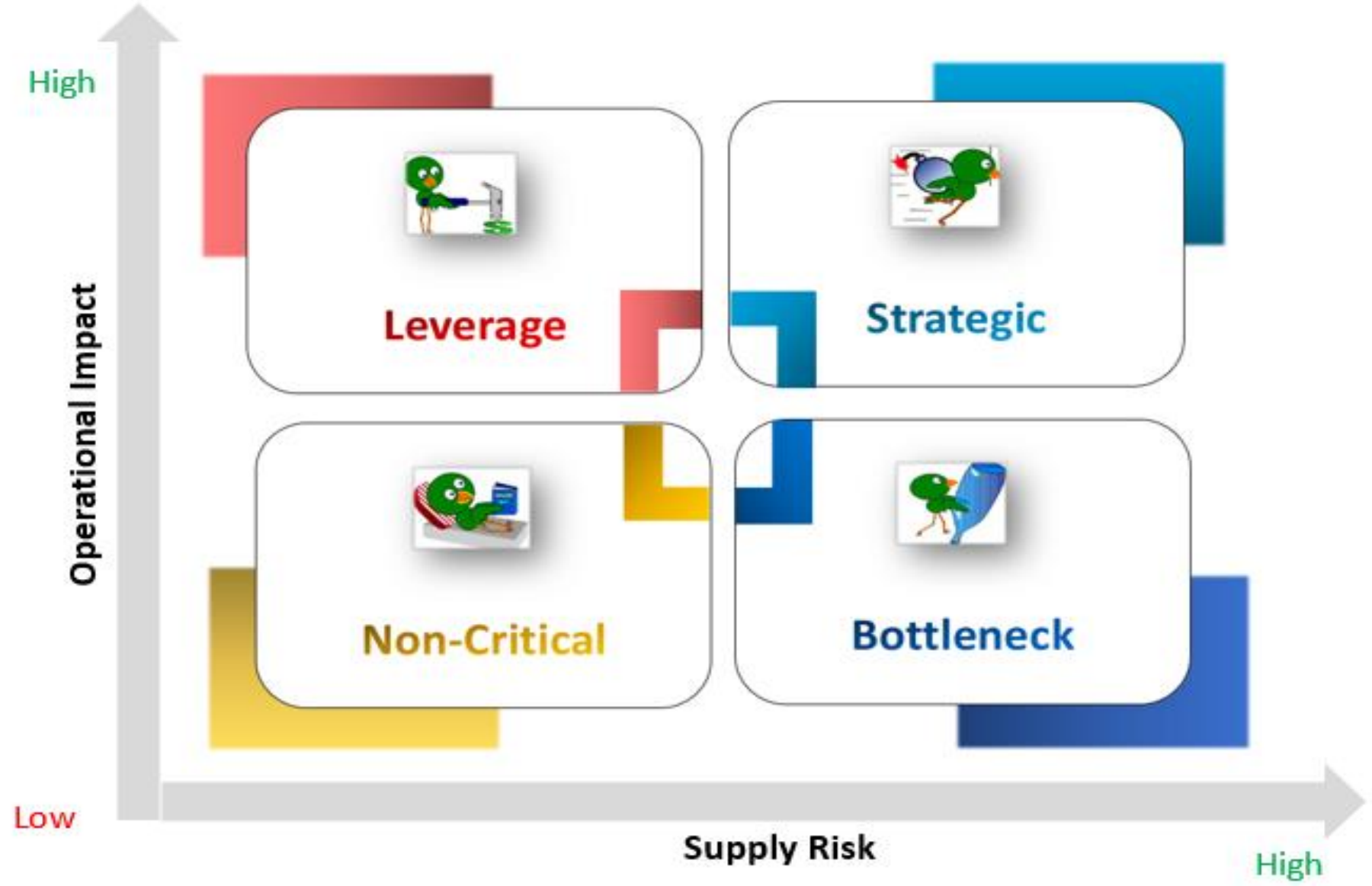
Supply Positioning Model



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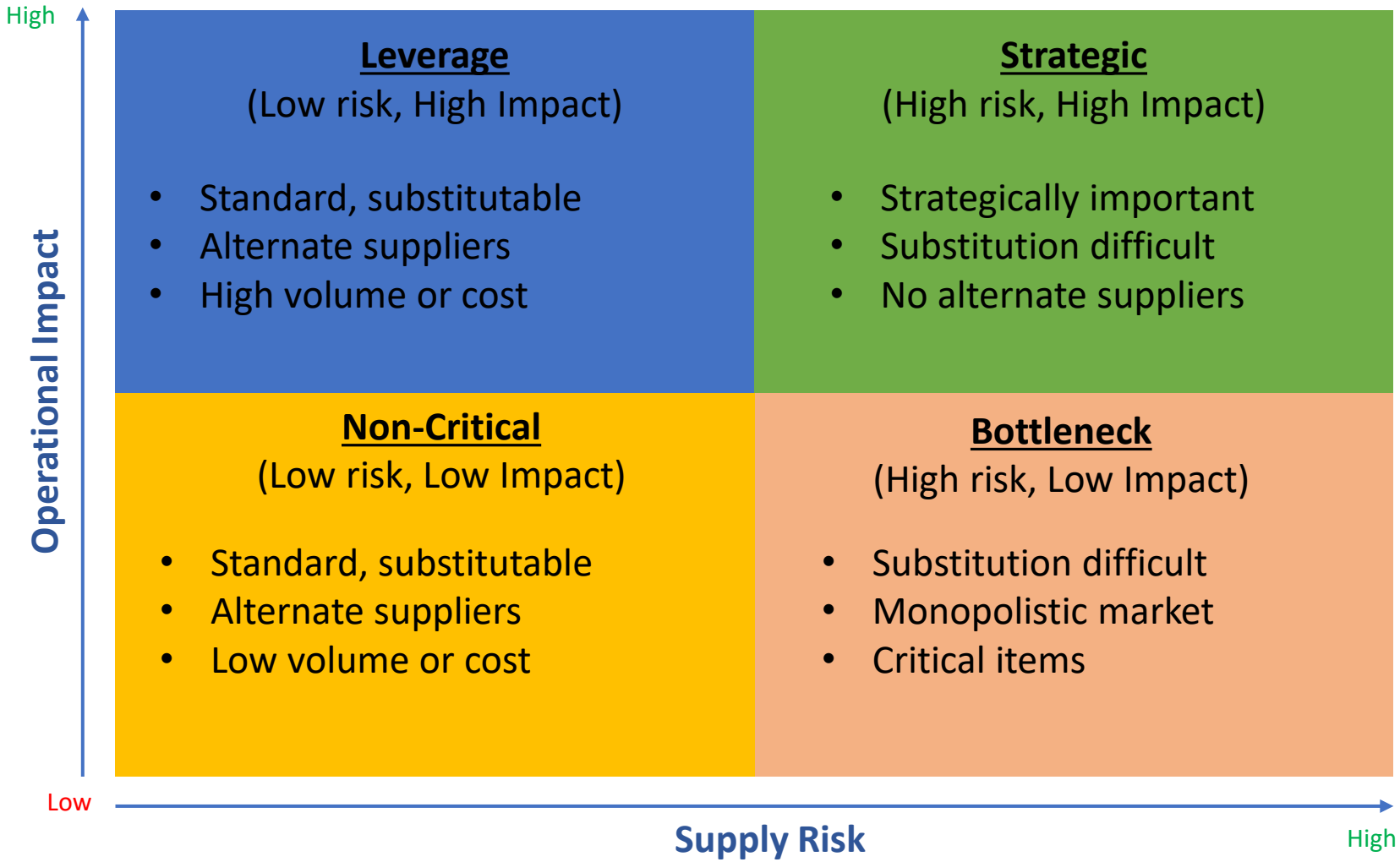

3. Key Points

Key Learnings

1

Annual Procurement Plan helps to determine:

- Procurement Strategy
- Procurement Method
- Contract Management Strategy
- Identifying Risks
- Optimising Resources

2

Annual Procurement Plan is used in developing planning documents such as:

- Market Research Report
- Procurement Strategy Development Form
- Specifications
- Request for Information

3

Procurement Planning Tools:

- Pareto Analysis
- Porter's Five Forces
- Supplier Preferencing Model
- SWOT
- PESTLE
- Kraljic Matrix
- Supply Positioning Model

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